

# **Minnesota Family Investment Program Grants: Calculation and Exit Points**

The Minnesota Family Investment Program (MFIP) is a jointly funded, federal-state program designed to provide income assistance for eligible low-income families. MFIP replaced the Aid to Families with Dependent Children (AFDC) program, which was repealed by Congress in 1996. This information brief describes how MFIP grants are calculated and describes the current exit points for the program.

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## **MFIP Grant Calculation**

Minnesota's welfare reform legislation based the MFIP grant for families on a "transitional standard" that incorporated both a cash portion and a food portion (replacing the food support award).<sup>1</sup>

Eligible families with no earnings receive monthly grants equal to the transitional standard. The transitional standard includes both a cash portion and a food portion.<sup>2</sup> The cash portion equals the AFDC standard in effect before welfare reform. MFIP families receive the food portion of assistance as part of the MFIP grant instead of receiving a separate benefit through the federal Supplemental Nutrition Assistance Program (SNAP).

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<sup>1</sup> [Minn. Stat. § 256J.24](#), subd. 5.

<sup>2</sup> Although MFIP combines cash and food assistance, the federal Supplemental Nutrition Assistance Program (SNAP) remains in effect for individuals and families who are not on MFIP. In Minnesota, most SNAP recipients are: (1) adults in households that do not qualify for MFIP because no children are present; or (2) former MFIP families with earnings high enough so that their MFIP grant would be less than the food portion of the grant. (By receiving food support instead of MFIP, families are subject to federal SNAP's requirements and are not subject to any of MFIP requirements.)

A family receives both the cash and food portions of its monthly MFIP grant in electronic debit card form, called EBT (Electronic Benefits Transfer). The two kinds of benefits are electronically segregated on the family’s EBT card. A family can only use the food portion of its MFIP benefits to pay for groceries, with qualifying purchases deducted from the balance in its food portion account. There are no such restrictions on the cash portion of a family’s MFIP grant.<sup>3</sup> A family accesses the cash portion of its grant through automatic teller machines (ATMs). Table 1 shows the transitional standard by family size for families in which all members qualify for both MFIP cash and food assistance.<sup>4</sup>

Table 1  
**MFIP Transitional Standard**  
**Federal Fiscal Year 2010**

| <b>Family Size</b> | <b>Cash Portion</b> | <b>+ Food Portion</b> | <b>= Transitional Standard</b> |
|--------------------|---------------------|-----------------------|--------------------------------|
| 1                  | \$250               | \$178                 | \$428                          |
| 2                  | 437                 | 327                   | 764                            |
| 3                  | 532                 | 473                   | 1,005                          |
| 4                  | 621                 | 601                   | 1,222                          |
| 5                  | 697                 | 702                   | 1,399                          |
| 6                  | 773                 | 835                   | 1,608                          |
| 7                  | 850                 | 904                   | 1,754                          |
| 8                  | 916                 | 1,024                 | 1,940                          |
| 9                  | 980                 | 1,145                 | 2,125                          |
| 10                 | 1,035               | 1,269                 | 2,304                          |
| Each add'l member  | 53                  | 125                   | 178                            |

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Beginning in October 1998, the food portion of the transitional standard was adjusted to reflect cost-of-living adjustments to the federal SNAP.<sup>5</sup> The food portion is adjusted as needed to reflect adjustments to SNAP. The cash portion of the MFIP transitional standard is not automatically adjusted.

MFIP provides an employment incentive for families with earnings by allowing them to disregard a percentage of earnings and by basing grants on a family wage level that equals 110 percent of the transitional standard.

<sup>3</sup> However, MFIP benefits are vendor-paid for all new applicants for the first six months a family is on the program. A county pays the applicant’s shelter costs, up to the amount of the cash portion of the family’s MFIP grant, directly to the landlord or mortgage holder.

<sup>4</sup> Some MFIP recipients, such as relative caregivers who choose not to be part of the assistance unit and who are exempt from work activities, do not receive the food portion of the MFIP grant.

<sup>5</sup> [Minn. Stat. § 256J.24](#), subd. 5a.

Families without earnings receive a grant equal to the transitional standard—\$1,005 in the case of a single parent with two children. Families with earnings get to disregard a flat percentage of their earnings in determining their grant, and their grant is calculated by subtracting earnings (with the disregard applied) from a “family wage level” that is 110 percent above the transitional standard that applies to families without earnings.

Table 2 shows the MFIP grant calculation for a single parent of two children who works full-time and earns \$7.25 per hour. The disregard and the family wage level combine to provide an incentive for MFIP recipients to participate in the workforce, since families get to keep some of their MFIP grant as they begin working.

When calculating a family’s net income, a percentage of a family’s gross income is disregarded. Currently, the earned income disregard is 37 percent.

Table 2  
**MFIP Grant Calculation**  
**Single Parent with Two Children Earning \$7.25 Per Hour, Full-Time, 2010**

|   |         |
|---|---------|
| <b>(1) Calculate earnings after disregard</b>   |         |
| Monthly earnings *  | \$1,257 |
| <i>minus</i> earned income disregard (37% of earnings)  | 465     |
| <i>equals</i> earnings after disregard  | \$792   |
| <b>(2) Calculate family wage level</b>  |         |
| Transitional standard   | \$1,005 |
| Family wage level (110% of transitional standard)   | \$1,106 |
| <b>(3) Calculate grant</b>  |         |
| Family wage level   | \$1,106 |
| <i>minus</i> earnings after disregard   | 792     |
| <i>equals</i> MFIP grant  | \$314   |
| * Monthly earnings are calculated as one-twelfth of \$7.25 hourly rate times 40 hours worked per week times 52 weeks worked per year. |         |

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## MFIP Exit Points

Although MFIP does not directly specify a program “exit point,” three- or four-member families lose eligibility for benefits at income levels about 115 percent of the federal poverty guidelines. Exit points for larger families are lower as a percentage of the poverty guidelines.

The MFIP “exit point,” or income level at which a family becomes ineligible for a grant, is not specified in statute. It is calculated mathematically as the income level at which earnings minus the 37 percent disregard equals the family wage level. In 2010, a family of three will be ineligible for MFIP when its monthly earnings reach \$1,754. After applying the 37 percent disregard, this family’s earnings equal \$1,106, which is the 2010 family wage level for a family of three. Because the family’s earnings after disregard equal the family wage level amount, the family’s MFIP benefits are \$0, and the family becomes ineligible for MFIP. This exit point for a family of three translates to an hourly wage of \$10.12, or annual earnings of \$21,050.

Comparing the MFIP exit point to the federal poverty guidelines makes it easier to understand how much income a family can earn before becoming ineligible for a grant. During the development of the MFIP legislation in 1997, policymakers often discussed the program’s exit point as a percentage of the poverty guidelines. At that time, 1996 federal poverty levels were the most recent available, and the program’s exit point was at 120 percent of the 1996 federal poverty level for families with two, three, and four members. However, policymakers did not consider that the exit point as a percentage of the poverty guidelines varies with family size and that it was a lower percentage of the poverty guidelines for larger families. Currently, the program’s exit point is 115 percent of the federal poverty guidelines for families with three members. Table 3 shows the exit point in 1997 and 2010 (for families with up to five members) as a percentage of the poverty guidelines and as an hourly wage.

Table 3  
**MFIP Exit Points**

| <b>Family Size</b> | <b>1997 Exit Point as a Percent of 1996 Poverty Guidelines</b> | <b>2010 Exit Point as a Percent of 2009 Poverty Guidelines</b> | <b>2010 Exit Point as an Hourly Wage</b> |
|--------------------|--|--|--|
| 1                  | 94%  | 83%  | \$7.25 (24 hours/week) <sup>6</sup>      |
| 2                  | 121  | 110  | \$7.70 (full-time)                       |
| 3                  | 121  | 115  | \$10.12 (full-time)                      |
| 4                  | 119  | 116  | \$12.31 (full-time)                      |
| 5                  | 116  | 114  | \$14.09 (full-time)                      |

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Table 3 shows that for families with more than one member, the exit point varies as a percentage of the poverty guidelines based on family size. In 2010, the exit point is 110 percent for families of two members, and 114 percent for a family of five. This is because the poverty guidelines increase by \$3,740 with each additional family member, compared to a smaller increase in the MFIP transitional standard as family size increases.

Absent specific intervention by policymakers, the MFIP exit point as a percentage of poverty will decrease from year to year for families of all sizes. Each year, the federal poverty guidelines

<sup>6</sup> A one-person family will be ineligible for MFIP when the person works at least 24 hours per week at minimum wage—now \$7.25 per hour.

are adjusted for inflation. Although the food portion of the MFIP transitional standard is adjusted for inflation, the cash portion is not adjusted. As a result, the transitional standard as a whole will not keep pace with increases in the poverty guidelines, and the exit point will decrease each year as a percentage of poverty.

*For more information about MFIP, visit the health and human services area of our web site, [www.house.mn/hrd/hrd.htm](http://www.house.mn/hrd/hrd.htm).*